

**TO: Board of Commissioners,
Missouri Housing Development Commission**

FROM: Margaret D. Lineberry, Executive Director

RE: Prepared Remarks / 2011 Recommendations and QAP Changes

DATE: February 18, 2011

Today's Meeting is a significant one, as the Board is scheduled to consider staff's recommendations for tax credit awards for affordable housing developments. The Board's work in this regard always excites a great deal of interest, both on the part of the affected communities and the recommended developers. It also naturally results in some unhappiness and disappointment on the part of those communities and those developers whose applications were not selected.

The harsh reality is that our country is still mired in a recession whose length and depth is almost unprecedented in our history. People are hurting. Many of our citizens are out of work. There simply is not as much money available for developments as there has been – or as there has appeared to be – in past years. Every taxpayer is tightening his belt, distinguishing between needs and wants, and checking and re-checking the cost and value of each purchase made. The same is true of MHDC.

At the December meeting I shared with the Board my ideas with respect to MHDC's future direction. One of the thoughts I expressed is that development costs need to be reined in. We focused hard on that effort with this year's applications. In sum, the developments we are recommending to the Board this year have an average cost that is just under \$130,000 per unit.

That said, I want to emphasize that absolute dollar cost was not the overriding deciding factor in our recommendations. We are not building housing of last resort. Instead, we are looking for good overall value for our taxpayers. In determining what provides good value, our underwriters balanced and weighed numerous considerations. They did, of course, evaluate each proposed development's per-unit cost. They also, however, confirmed the appropriate geographic dispersion of tax credits around the State. They reviewed the respective City and County rankings for the proposed developments. They considered the amount of MHDC funds requested by each development, because a large amount requested by any one development naturally precludes the possibility of funding other proposed developments. Our underwriters also evaluated the existence of environmental issues associated with a proposed site that would prevent the use of HOME funds for that development, such as undesirable proximity to highways or railroad tracks. Other site issues considered by our underwriters included the possible existence of wetlands on a site or the location of a proposed site within a flood plain. An important need consideration for our underwriters was also the existence or pending construction

of similar developments within the same general area as a proposed new development. Last but not least, a critically important factor from the perspective of those who will occupy the development is whether its proposed rents are significantly lower than market rents in the surrounding area.

These are the general questions considered by our underwriters as they developed this year's list of recommended developments for consideration by the Board. I recognize, however, that those developers whose applications were not selected want to know why. I also recognize that the application process is lengthy, time-consuming, and expensive for developers. As a result, I believe that MHDC has an obligation to provide complete and candid answers to developers whose applications were not selected. Therefore, I wanted to advise the Commissioners that a new process being implemented by MHDC this year will be that of convening meetings with developers whose applications were not recommended for award. We are planning to hold these meetings in Columbia, a central location in the State, and we intend to have available both our full underwriting team as well as our complete application files so that we can respond fully to any questions raised. As MHDC's Executive Director, I hope to attend each of these meetings, and I would like to extend a personal invitation to each of our Commissioners to attend these meetings as well. We will be emailing our developers next week to invite their attendance at these meetings, and we hope to have a schedule available by early March.

Finally, I close today's remarks by coming full circle. I opened by noting how much the current economy is hurting our citizens, with the pain being perhaps greatest in the development and construction sector. And within the development and construction sector, I think it is safe to say that those citizens who are hurting the most include minority-owned businesses, women-owned businesses, and other disadvantaged business enterprises. All of these people are taxpayers who help support the LIHTC program, and they correspondingly deserve a place at the LIHTC table.

To that end, I wanted to preview some portions of the new Qualified Allocation Plan we will be asking the Commissioners to consider at our Annual Planning Session scheduled for May. Some of the ideas we will presenting include programs that require greater involvement of certified and qualified minority- and women-owned businesses and Section 3 contractors in tax credit properties: (1) as developers of tax credit properties, (2) as contractors and suppliers in the construction of tax credit properties, and (3) as construction workers involved in the development of tax credit properties.

The beauty of the programs we are developing for this year's QAP is that MHDC's new programs will marry very well with initiatives already undertaken by the Missouri Office of Administration's Office of Equal Opportunity.

- For example, minority- and women-owned businesses can obtain certification without charge from the Office of Administration's OEO.

- In addition, MHDC will be proposing a new co-developer / mentor-protégé program that pairs qualified and certified minority- and women-owned developers with established developers of tax credit properties. This initiative can be undertaken under the auspices of the Office of Administration's similar Matchmaking Activities program, which works at building relationships between non-minority enterprises and minority- and women-owned businesses.
- Another new program MHDC will be proposing will call for a specified percentage utilization of qualified and certified minority- and women-owned businesses as contractors and suppliers in the planning, design, and construction of tax credit developments. The Office of Administration's OEO already has in place a Directory of Certified MBE/WBE Vendors. MHDC can build on this existing directory by adding to it those businesses specializing in construction services and materials for easy access by developers of tax credit properties.
- Finally, MHDC will be presenting a Workforce Development and Utilization program in this year's QAP. This program will focus on neighborhoods where tax credit developments are being undertaken. The purpose of the program will be to train and place unemployed workers from these neighborhoods on these construction projects, with the goal being that these jobs will ultimately lead to full-time employment opportunities for these individuals.

I would like to close by expressing my appreciation to the Commissioners for the opportunity to make what we believe to be needed improvements to MHDC's tax credit program, both in terms of using the taxpayer's money most wisely while also providing the greatest opportunity to the largest group of our citizens to participate in this worthy program.

Thank you.